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SUBJECT: CODELS ACKERMAN AND CASEY MEETINGS WITH PRIME
MINISTER NETANYAHU

Classified By: Deputy Chief of Mission Luis G. Moreno, Reason 1.4 (b),(
d)

¶1. (S) Summary. CODEL Ackerman and Casey met separately May 26 and 27 with Prime Minister Binyamin Netanyahu. The Prime Minister discussed his visit to Washington, focusing on his discussions of Iran, a regional approach in support of Israeli-Palestinian negotiations, and his approach to the Palestinians and settlements, including his opposition to a complete freeze on settlement construction. Netanyahu said he was pleased with President Obama's approach to engagement with Iran and on a regional component to peacemaking. On the Palestinians, he reiterated his view that the Palestinian Authority (PA) must declare its recognition of Israel as a Jewish state, and also reviewed his thinking on the importance of security for Israelis and his support for increased Arab private investment in the West Bank. On settlements, Netanyahu said he would take action against illegal outposts and would not build new settlements or confiscate more Palestinian land, but he insisted that he would not support a complete freeze on construction, and noted that his advisers would try to close the gap with the U.S. on this issue. Members of the CODELs pressed Netanyahu on the importance of finding ways to strengthen PA President Abbas and Prime Minister Fayyad, as well as to address humanitarian and reconstruction needs in Gaza. End summary.

Washington Visit

¶2. (S) Prime Minister Netanyahu told CODEL Ackerman that he did not feel boxed in politically and that his coalition in fact reflects the demands of the Israeli public to address their concern about security. While some argue that agreements bring security, Netanyahu said Israel's experience of the past fifteen years proved that neither agreements nor unilateral withdrawals brought security. Netanyahu said he had told President Obama that while he would not condition negotiations with the Palestinians on halting Iran's progress toward a nuclear weapon, if Iran obtained such a weapon it would destroy any progress made toward peace. He added that Egyptian President Mubarak and Jordanian King Abdullah were in complete agreement with him on that point.

¶3. (S) For the sake of both security and peace, the first task is to stop Iran's nuclear program. Netanyahu noted that the President had assured him that by the end of the year, the U.S. will decide whether engagement is working and that the goal is to stop Iran's program. The President told him that all options remain on the table, a point confirmed by Secretaries Clinton and Gates. Netanyahu said he and Mubarak agreed that a nuclear Iran would lead others in the region to develop nuclear weapons, resulting in the biggest threat to non-proliferation efforts since the Cuban Missile Crisis. This "nightmare scenario" is well understood in Washington, he said.

¶4. (C) Turning to peace efforts, Netanyahu said the President is bringing a fresh approach to regional peace

whereby the Arabs would enhance the Israeli-Palestinian track. It will be especially important to get the Saudis on board, he added. On the two-state solution, Netanyahu noted that the President had stressed his support for two states. He had told the President that Israelis did not want to rule Palestinians. Netanyahu said he was prepared for "arrangements" with the Palestinians that would entail some limits on their sovereignty such as no Palestinian army, and Israeli control over borders, airspace, and the electromagnetic spectrum. Netanyahu asserted that seventy to eighty percent of Israelis are ready to make concessions for peace but they do not believe they have a Palestinian partner since Hamas is in control of Gaza and Iran has a base on Israel's border. How can there be peace without a new situation in Gaza, he asked.

15. (C) Turning to settlements, Netanyahu noted that he had told the President that both Israel and the Palestinians had unfulfilled Roadmap commitments. Without elaborating, he noted that there were written and oral understandings between President Bush and Prime Ministers Sharon and Olmert on the Roadmap. In Gaza, Israel dismantled twenty-seven settlements but got six thousand rockets from Hamas in return.

Support the PA

16. (C) Chairman Ackerman commented that President Abbas and Prime Minister Fayyad are necessary for progress, and noted that both Israel and the U.S. will be in trouble if they are replaced. Something needs to be done to help them stay in power. They need material support but also the promise of

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statehood. Foreign investment in the West Bank would give a real horizon as well. Netanyahu agreed, saying Gulf Arab investors had been successful in transforming their own societies and could make a great contribution to the Palestinians. He added that he wanted to bring Gulf investors into the West Bank since they would change reality for the Palestinians but also give Israelis confidence. Ackerman responded that this was a great idea, but it should come from Abbas, not Israel. The more credit Abbas can take for steps forward, the better.

17. (C) In response to a question about the PA security forces' capabilities, Netanyahu commented that he supports the PA's desire to keep Hamas at a distance. A national unity government without Hamas' acceptance of the Quartet conditions would serve Hamas' interests, adding that Israel has a common interest with the PA to prevent a Hamas takeover of the West Bank. Netanyahu said there is a steady flow of Iranian weapons to Gaza through Sudan or Syria and then by sea, but he said Egypt's performance in stopping the tunnels has improved now that Cairo understands that the Iranian arms pipeline is a direct threat to Egypt as well.

18. (C) On the economic side, Netanyahu said he wants to establish a joint plan with the PA to improve conditions in the West Bank. He cited Cyprus as an example of economic prosperity leading to reduced political tensions. Sen. Lautenberg pushed Netanyahu to put Israel's best face forward in the West Bank, and to work with the PA on water issues, conservation and health, where Israel could contribute a great deal and there are many opportunities to build cooperation that would benefit people. Netanyahu responded that his ministerial committee on improving the lives of Palestinians in the West Bank met earlier in the day and that he is committed to overcoming the turf wars and excessive caution that have undercut development efforts in the West Bank in the past. He said the GOI is looking at creative ideas, such as how to facilitate tourism to Jericho, advance projects in water and agriculture, in addition to promoting business (note: he estimated that there are 100 projects Israel is examining in the West Bank). It is beyond belief what can be done in the West Bank, he said,

but he hoped the PA would engage with Israel on these efforts. Netanyahu added that the fact that there had not been any large anti-Israel demonstrations in the West Bank during Operation Cast Lead meant that Palestinians in the West Bank want a better life, not confrontation with Israel.

¶9. (C) Representative Ellison, noting that he is the first Muslim to be elected to Congress, said he visited Gaza in February and met with NGO representatives who could deliver assistance without the credit going to Hamas. He urged Netanyahu to consider opening the Gaza crossings, adding that Gazans he had met told him they want peace and would like to get their jobs back in Israel. Netanyahu responded that he is looking at ways to balance Israeli security with enabling Gazans to have a normal life. The flow of money and weapons to Hamas remains a problem since Hamas is extending the range and payload of the rockets it possesses. In response to Representative Ellison's comment that Israel should allow USAID to return to Gaza, Netanyahu said he thought that it might be a good thing to have USAID operate in Gaza.

Settlements and Outposts

¶10. (C) Netanyahu said that illegal outposts were a legal question and his government would enforce the law. The outposts should be removed through dialogue with the GOI if possible, but it should be done in any case. Regarding settlements, Netanyahu said he wants to work with the U.S. on the basis of the understandings reached with the Bush Administration, i.e. that Israel will not build new settlements or seize more land, but if families grow, they will still have the right to build within existing settlement boundaries. Now Israel is hearing that the U.S. wants no construction at all. Israelis consider this position to be unfair, he said. The question is whether the U.S. is seeking a geographic or a demographic restriction on settlements.

¶11. (C) Netanyahu commented that Israel needs a common understanding with the U.S. The U.S. position should be "reasonable," since opposition to a total freeze cuts across political parties in Israel. This is more of an issue with the U.S. than with the Palestinians, Netanyahu asserted, arguing that the PA will go along if there is an understanding between Israel and the U.S. He noted that Israeli officials were meeting with U.S. officials on this issue, adding that there could be an understanding if the U.S. wants one. Netanyahu commented that he understood there should be no land seizures, but he could not tell settlers

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not to have children. In response to a question about GOI incentives to settlers, Netanyahu's adviser Ron Dermer said the Olmert government had already removed them. Netanyahu said this was an issue that Israel could discuss further with the U.S.

Iranian Threat

¶12. (S) Chairman Ackerman said that in his meetings with Arab leaders, he found them all concerned about Iran. They said it would be helpful to resolve the Palestinian issue, but Israel-Palestine is not the main threat to the region. Netanyahu, following a similar comment during his meeting with CODEL Casey, responded that there are no Arab leaders who would tell the U.S. to wait on Iran until there is a settlement to the Israeli-Palestinian issue. Ackerman also explained that the U.S. will try engagement in order to prevent an unwise and premature use of force. We will tighten sanctions at the same time, for which we need the support of the international community, Ackerman explained. Netanyahu noted that Ahmadinejad had said he would not stop Iran's nuclear program. President Obama had been clear in his comments to Netanyahu that U.S. engagement would be results-oriented and not open-ended. If engagement did not

work, the U.S. would gain the moral high ground, which would help make economic pressure more effective. Ackerman agreed that more pressure was needed and said we need to figure out what the Russians and others want. Netanyahu said that in contrast to North Korea, the Iranian nuclear and missile programs were direct threats to Israel, Europe and U.S. interests in the Gulf, and he emphasized that the program was not defensive in nature. In response to a question from Representative Jackson-Lee, Netanyahu encouraged quick action on a bill in the Congress to pressure foreign oil companies not to sell refined petroleum to Iran. This might not be enough to stop Iran's program but it would send a strong signal. Netanyahu also urged that the U.S. demand that Iran stop all uranium enrichment since enrichment is the main element of their program. He commented that Iran might try to use the talks with the U.S. to continue or accelerate their enrichment process. Netanyahu cautioned that he was skeptical of the idea that the Iranian leadership could change. They have a dangerous worldview, a violent theocracy, but it may be possible to move them if they find the U.S. strong and determined. Iran, he commented, is bent on becoming a global and not just a regional power.

¶13. (U) CODELS Ackerman and Casey did not have the opportunity to clear this message.

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